Clearwater

2002 ANNUAL REPORT

OUR INTERNATIONAL OPERATIONS PUT OUR PRODUCTS INTO ALL MAJOR SEAFOOD MARKETS IN ASIA, EUROPE, AND NORTH AMERICA. WE ARE THE DOMINANT QUOTA HOLDER IN SIX PREMIUM SHELLFISH INDUSTRIES. WE HAVE TRANSFORMED NON-TRADITIONAL FISH SPECIES INTO HIGHLY PROFITABLE BOUTIQUE INDUSTRIES. ADVANCED TECHNOLOGY AND INNOVATIVE THINKING MAKE US **A GLOBAL LEADER** IN OUR INDUSTRY AND POSITIONS US FOR

CORPORATE PROFILE

Clearwater Seafoods Income Fund is a limited purpose, open-ended trust created to acquire and hold securities of Clearwater Seafoods Limited Partnership ("Clearwater").

Established in 1976, Clearwater is a leader in the global seafood industry and the largest integrated shellfish company in North America. It is recognized for its consistent quality, wide diversity, and reliable delivery of premium shellfish including sea scallops, Arctic surf clams, Argentine scallops, lobster, cold water shrimp, and Jonah crab.

Clearwater is the largest holder of offshore rights to harvest each of these products in Canada, which provides it with a secure and stable source of a diverse range of premium shellfish; makes it one of the largest harvesters and processors of these products in the world; and provides it with stable cash flow and growth potential.

Clearwater harvests, processes, and sells more than 69 million pounds of seafood annually. Its operations consist primarily of:

- harvesting premium shellfish in the offshore fisheries of Atlantic Canada and Argentina;
- processing shellfish onboard technologically advanced factory vessels or in modern shore-based processing plants; and
- marketing and distributing premium shellfish to over 1,100 customers in North America, Europe, and Asia.

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CORPORATE STRATEGY

Clearwater Seafoods Income Fund (the "Fund") is a limited purpose, open-ended trust created to acquire and hold securities of Clearwater Seafoods Limited Partnership ("Clearwater"). Clearwater's principal assets include unparalleled access to a wide range of premium shellfish; state-of-the-art vessels; and modern at-sea and shore-based processing capacity. Clearwater is well positioned to capitalize on the opportunities created by an international growing demand for premium shellfish; a diversified, worldwide customer base; consistently high margins; and a fragmented industry comprised of many small enterprises. Clearwater intends to build on its leading market position by capitalizing on the following strategies:

- Clearwater intends to leverage the more than $182 million that has been invested since 1999 in modernized vessels and shore-based processing plants. This has already resulted in increased yields, improved product quality, reduced costs, improved environmental responsiveness, and strong stewardship of the resources that Clearwater harvests.
- Clearwater will continue to develop new businesses through the use of technology and research and development. Almost one-third of Clearwater's revenues in 2002 were attributable to new businesses focused on previously unexploited species, such as Arctic surf clams, Argentine scallops, and Jonah crab. The company is now growing markets for the Arctic surf clam bycatches of northern propeller clams and Greenland cockles.
- Clearwater, the dominant harvester in each of its core fisheries, will continue to pursue acquisitions of complementary businesses. With many small firms still operating in this sector, the company plans to take advantage of further consolidation and joint venture opportunities.
- Clearwater intends to foster long-term, strategic relationships by assisting its customers in offering premium shellfish to the public. It will also continue to offer consumer education programs and improve on its already recognized quality and reliable distribution systems.
- Clearwater will continue to take a leadership role in working with the Department of Fisheries and Oceans (DFO) and other industry participants to build sustainable resource management regimes. These efforts have resulted in Total Allowable Catches (TACs) for shellfish generally increasing or remaining stable over the last eight years.

INVESTMENT HIGHLIGHTS

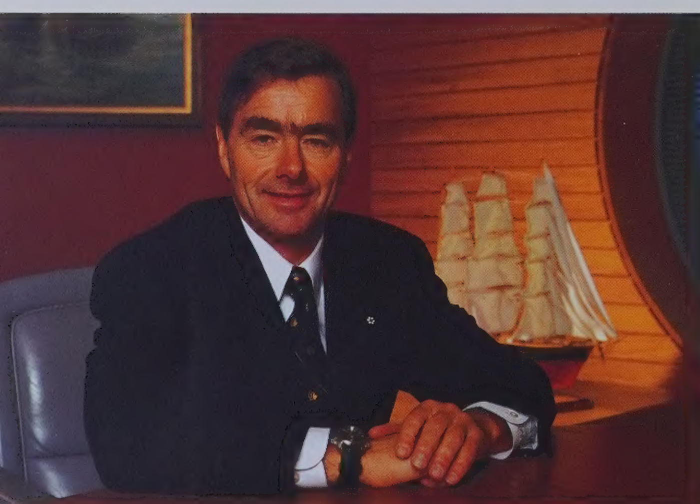
- Completed Initial Public Offering (including the over-allotment) of 23,287,478 units and acquired 49.9% of Clearwater Seafoods Limited Partnership.
- On December 27th, 2002, the Fund issued 1,271,186 additional units through a private placement and increased its ownership in Clearwater to 51.23%, which in turn used the proceeds, along with $4,125,000 in cash, to acquire the remaining 45% interest in one of its subsidiaries, Deep Sea Clam Incorporated.
- Clearwater recorded net sales of $156 million and net earnings of $30.4 million in the five-month period ending December 31st, 2002, which comprised the first financial period.
- Clearwater generated distributable cash of $31.1 million for the five-month period ended December 31st, 2002 and made distributions of $22.5 million.
- Met all cash distribution targets, declaring monthly cash distributions of $0.0958 per unitholder.

CLEARWATER'S UNDERSTANDING OF WORL
MARKETS IS AT THE VERY CENTRE O

OUR VISION: WE SEE A STRONG FUTUR IN THE SEAFOOD INDUSTRY. THIS IS A KE

WE ACHIEVED A REMARKABLE MILESTONE in 2002 with the creation of the Clearwater Seafoods Income Fund. The successful launch of our new public company represents an investor vote of confidence in Clearwater; and we will respect that confidence by continuing to build the company on its sound foundations.

In some ways, the Clearwater model of business growth hasn't changed since 1976, when my brother-in-law, Colin MacDonald, and I started a small seafood business in Nova Scotia. The first fundamental – then and now – is quality. Year after year, Clearwater carefully built its business and its reputation by being a reliable supplier of premium shellfish products to buyers around the world.



We also manage the company in a way that looks forward to new opportunities. In the early 1980s, for instance, we developed the first dryland lobster pound on the globe, enabling us to meet the worldwide year-round demand for quality live lobster.

At Clearwater, we continue to anticipate industry trends. The best research shows our markets will remain strong. In North America, the baby boom generation is moving into its prime seafood-consuming years. In Asia, seafood markets will grow significantly as China emerges as an economic powerhouse. And in Europe, Clearwater sales should track population changes upwards.

Our vision is of a company that continues to understand its customers, to anticipate changes in consumer behaviour, and to know that Clearwater must be the best primary shellfish company in the world to succeed. Today, we are well positioned to meet the needs of customers well into the future, and thereby to provide stable, consistent returns to our unitholders.

February 7th, 2003

John Risley *Chairman*

UR TEAM GETS MORE VALUE FROM LESS RODUCT. AT CLEARWATER, INNOVATION IS UR STRENGTH: WE CONSTANTLY CREATE PPORTUNITIES TO GROW EARNINGS. TOGETHER

FOR 27 YEARS, CLEARWATER HAS BEEN SUCCESSFUL in a very competitive international market as a primary seafood company, utilizing a strategy of growth through new product development, the development of underutilized species, quota acquisition, and innovative joint ventures. Clearwater has fostered innovation and embraced technology to build strong customer relationships on a foundation of superior quality products, unexcelled customer service, and controlled access to supply. Clearwater has also invested heavily in science and resource stewardship, capitalizing on its vertically integrated structure to both enhance and build long-term customer partnerships. In the future, as operators of a new public company, our success is assured by an empowered management team with well over 150 years of combined experience as leaders in the seafood industry.

That experience and commitment pay dividends at Clearwater: we have already pioneered new sustainable fisheries from the seabed to the markets; we have transformed underutilized species into boutique shellfish industries; and we have developed specialized processing equipment to maximize yields – to get more from less. Clearwater has acquired unparalleled access to resource quotas in the northwest Atlantic, while making investments in new technology and equipment to efficiently harvest and process shellfish.

I passionately believe we have a superb competitive advantage in the innovative spirit of our people. This has been evident in our years of successful growth and was obvious to all last year when our team worked tirelessly to transform Clearwater into a publicly traded income fund. With our assets and human resources we will continue to operate the company with long-term, stable growth in mind and ensure that Clearwater is an enduring leader in the seafood industry of the 21st Century.

February 7th, 2003

Colin MacDonald *Chief Executive Officer*

WE HAVE PIONEERED SHELLFISH INDUSTRIES FROM THE SEAFLOOR TO THE MARKETPLACE.

INNOVATION IS OUR HALLMARK

IN THE HARVESTING, PROCESSING, AND MARKETING OPERATIONS IN EVERY FISHERY. WE HAVE USED SATELLITE-ASSISTED TECHNOLOGY TO MAP THE OCEAN FLOOR ON THE RICHES

Habitat map of Browns Bank

N THE NORTH ATLANTIC

R MODERN FLEET TO

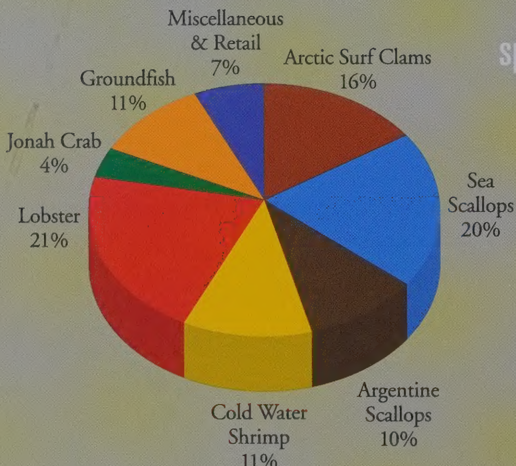
HARVEST MATURE SCALLOPS AND PROTECT SPECIES HABITAT. OUR LOBSTER OPERATIONS INCLUDE THE WORLD'S ONLY DRYLAND STORAGE FACILITIES. WE KEEP LOBSTERS FRESH IN AN ENVIRONMENT DUPLICATING THEIR NATURAL MARINE HABITAT. WHEN THE MARKETS DEMAND SUPPLY, WE DELIVER.

Shortly after Clearwater entered the traditional lobster business 27 years ago, it recognized certain limitations. Too much seasonal supply flooded the markets, depressing prices. In the early 1980s, Clearwater developed a solution – the first dryland lobster pound in the world, which enabled us to deliver live lobster year-round. Today, our dryland storage facilities hold up to three million pounds of fresh lobster in an environment that duplicates their natural habitat. Every hour, more than five million litres of icy-fresh, nutrient-rich seawater cascades through Clearwater's patented lobster-friendly compartments. When the markets demand supply, we deliver.

Innovation is a hallmark of our harvesting, processing, and marketing operations in every fishery. In co-operation with other Canadian offshore scallop operators and government partners, we have used satellite-assisted mapping techniques to map the ocean floor on the richest scallop grounds in the North Atlantic. This allows our modern vessels to harvest mature scallops and protect species habitat.

Through innovations like this, we are safeguarding our environment, our resources, and our company's future.

From its beginnings in the lobster fishery, Clearwater developed a model of growth based on commitments to product development, resource stewardship, long-term strategy, and market diversification. We now harvest and process six premium shellfish species (sea scallops, lobster, Arctic surf clams, cold water shrimp, Argentine scallops, and Jonah crab) and groundfish. We are the largest rights holder for each of these shellfish species.



CLEARWATER'S DOLLAR SALES BY SPECIES
January 1st to December 31st, 2002

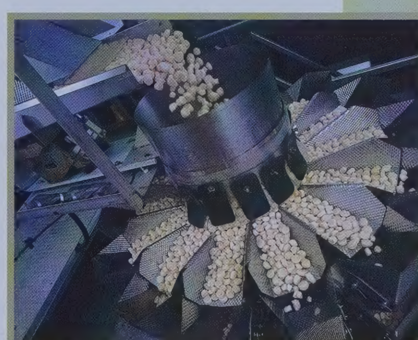
In support of our operations, we have developed new harvesting and processing technologies. In each of these fisheries, we have incorporated our competitive advantages into a strategy for stable growth. As a result, Clearwater is the largest integrated shellfish company in North America and a global seafood leader.

SEA SCALLOPS

Clearwater holds enterprise allocations for 36% of the Total Allowable Catch (TAC) in the Atlantic Canada offshore sea scallop fishery. This species is a premium scallop product that commands top prices in international markets.

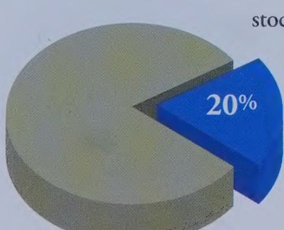
Our sea scallop fleet operates out of Lunenburg, Nova Scotia. Two new vessels introduced in this fishery permit sea scallops to be harvested, processed, and individually frozen-at-sea (FAS). These FAS vessels, with greater fishing and storage capabilities, can stay at sea for longer periods of time than traditional scallop boats. The new vessels allow Clearwater to harvest stocks – and deliver superior products to market – in a more efficient, cost-effective manner.

Sea scallops are also processed and packaged at our modern facility in Lockeport, Nova Scotia. Major investments in the latest processing technologies at this plant have cut costs by more than 50% over the past four years and virtually eliminated "broken" sea scallops during processing. As a result, the company has increased yields dramatically over the same period.



Clearwater has expanded the traditional market for Canadian sea scallops by developing new clients in Europe and Asia over the past 15 years.

The company's research and development efforts have also played a crucial role in the development of this fishery. In partnership with other offshore scallops operators, the Canadian Hydrographic Service, and the Geological Survey of Canada, the company has employed satellite technology to map the seafloor in the rich scallop grounds of Georges and Browns Banks. This has permitted Clearwater to harvest stocks efficiently, while protecting the overall marine environment and species habitat.

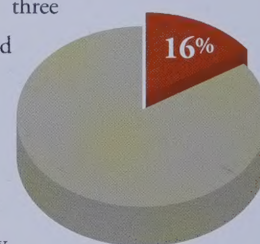


SALES BY SPECIES
2002

ARCTIC SURF CLAMS

Clearwater controls all three offshore Arctic surf clam fishing licences in the Canadian fishery and 100% of the catch. Our licences also permit us to land bycatches of northern propeller clams and Greenland cockles, which represent a growth opportunity for the company.

Clearwater pioneered the development of the Arctic surf clam fishery in 1986 after a significant capital investment in a vessel that includes specialized harvesting and processing technology. Today, we operate this fishery with three offshore Arctic surf clam harvesting/processing vessels. The product from all three vessels is landed at one of our shore-based facilities in North Sydney, Nova Scotia or Grand Bank, Newfoundland.



SALES BY SPECIES
2002

In recent years we have developed marketing initiatives to increase Arctic surf clam sales outside of Japan, thereby providing greater market diversification.

As a pioneer in this fishery, Clearwater has taken the responsibility to manage it from a scientific perspective. These clams take 10 to 12 years to reach commercial size, and therefore sustainable management practices are crucial to a stable fishery. During the past several years we have conducted a number of research cruises over the two fishing banks, in part, to assess biomass.

This database of information, together with real-time monitoring practices of the vessels while they are at sea, has led to the development of a 10-year rotational plan for Banquereau Bank, one of the major fishing areas for this species. Work is underway on a similar plan for the Grand Banks.

ARGENTINE SCALLOPS

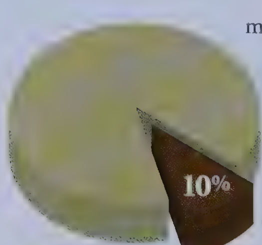
Clearwater, through its 70% owned subsidiary, owns two of the four licences in the Argentine scallop industry.

Like Canada, Argentina annually establishes a Total Allowable Catch on a geographic basis. The Argentine authorities have demonstrated a keen interest in prudent, scientifically guided management principles and have introduced a regulatory regime designed to ensure the fishing effort is closely matched with sustainable catch levels. Clearwater, in collaboration with Argentine scientific authorities, is carrying out research designed to determine biomass, growth rates, and other resource parameters.

Argentine scallops are much smaller than Canadian sea scallops and are processed onboard harvesting vessels. As Argentine scallops were not a commercial fishery prior to 1996, Clearwater designed and manufactured much of the equipment utilized onboard its vessels on a custom basis. Although there were significant start-up costs and effort associated with the development of this capability, we now have leading-edge technology in place in this fishery.

The company now owns and operates two factory freezer vessels in the Argentine scallop fishery. The first vessel, the Atlantic Surf I, has been operating since 1996 from Mar del Plata, and the Atlantic Surf III has been plying the waters off south Argentina since 2001.

The primary market for Clearwater's Argentine scallops is in France and other European countries. These small size scallops have found a ready market in the recipe dish processing sector and a robust market in France has been developed. The United States is also becoming an important market for Argentine scallops.



SALES BY SPECIES
2002

LOBSTER

Clearwater holds seven of only eight Canadian offshore lobster-fishing licences. This provides the company with an enterprise allocation equal to 87.5% of the TAC. In addition, we are a major buyer of live lobster from inshore fishermen.

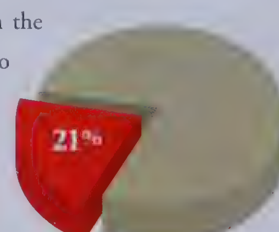
Clearwater also operates two long-term storage facilities or dryland pounds. These innovative facilities are the only ones of their kind in the world and allow us to store up to three million lobsters in a live and healthy condition for periods up to six months. Long-term storage techniques are important as the fishery only produces the highest quality product during the late fall and early spring.

These two facilities gather lobster from our own fleet of six offshore vessels and a network of inshore fishermen. On arrival at one of these facilities, lobsters are graded for their biological ability to withstand extended storage and are sized, sorted, and stored accordingly.

These unique facilities allow Clearwater to provide its customers with a consistent quality product year-round. They have also allowed us to be a pioneer in the development of new markets for Canadian lobster around the world.

Virtually all of our lobster is shipped live to its customers by air or overnight carriers. Clearwater's major lobster customers represent large distributors, grocery and restaurant chains, and seafood specialty outlets in North America, Europe, and Asia.

Clearwater will continue to pursue premium markets, particularly for the larger, premium offshore lobster it harvests itself. Our reputation as the market leader in the live lobster category has taken years to build and gives us unique access to the quality-oriented customer that requires year-round supply of live product.



SALES BY SPECIES
2002

COLD WATER SHRIMP

Clearwater holds direct and indirect rights to 21% of the TAC in the offshore cold water shrimp fishery in Atlantic Canada. The company has recently commissioned two new factory freezer trawlers, the Arctic Endurance and the Atlantic Enterprise, to harvest this species.

The Atlantic Enterprise is the first fishing vessel in the world to employ AC driven electric winches and to make extensive use of frequency converters throughout the vessel. The results are lower maintenance and fuel costs. This vessel consumes approximately 10 metric tonnes of fuel per day as compared to the 14 metric tonnes per day used by her predecessor.

Traditionally, cold water shrimp harvested in this Canadian offshore cold water shrimp fishery was sold in the Japanese market in raw format and to the European market as a cooked product. However, in the last five years, markets in China have opened and now represent a significant portion of the sales of this product.

SALES BY SPECIES
2002

In addition to its offshore cold water shrimp harvesting business, Clearwater is a 50% partner in an inshore cold water shrimp processing plant in St. Anthony, Newfoundland. This plant commenced operations in 1999 and can process 22 million pounds of cold water shrimp annually. Leading retailers in the United Kingdom, as well as the Danish brining industry, have approved the facility.

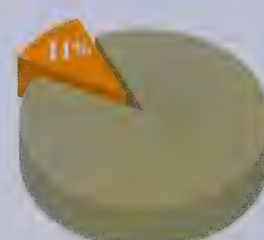
Cold water shrimp biomass and abundance have been increasing since the early 1990's. Total Allowable Catch levels have been increasing since 1997 but are still at low exploitation rates that are considered conservative. It is estimated that the total global supply of cold water shrimp is over 800 million pounds.

Clearwater has licences to harvest redfish, halibut, cod, and turbot in Atlantic Canada but also purchases significant quantities of cod and other species for its groundfish processing operations. Although certain groundfish stocks have been the subject of moratoria in recent years, there are a number of thriving stocks in certain areas of Atlantic Canada. Should troubled stocks recover in Atlantic Canada, Clearwater will benefit as a result of the strong quota positions it still holds.

Clearwater's groundfish processing facility is located at Glace Bay, Nova Scotia. The plant has replaced a portion of its traditional local source of raw material by importing frozen-at-sea cod from Alaska and the Barents Sea.

Capital expenditures of over $5 million since 1994 have enabled this operation to increase yields and reduce processing costs. Installation of a computer-operated fillet portion machine allows us to meet the most exacting specifications of its food service customers. The majority of our groundfish products are sold in the United States market to a combination of food service distributors and retail buyers.

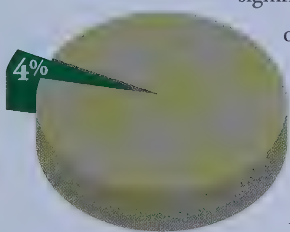
As a low cost cod producer, we are well positioned to increase sales at a time when demand for whitefish products is growing.



SALES BY SPECIES
2002

JONAH CRAB

This is another fishery Clearwater developed on its own, and it now holds seven of the eight Canadian offshore Jonah crab licences giving it an annual enterprise allocation of approximately 1.4 million pounds, representing 87.5% of the TAC. In addition, we typically purchase significant quantities of Jonah crab from inshore operators and from the other offshore operator.



SALES BY SPECIES
2002

Clearwater's state-of-the-art Jonah crab processing plant, located in Lockeport, Nova Scotia, produces ready to eat cocktail crab claws for retail and food service markets in the United States and Europe. It also produces crab meat for use in crab cakes and other value added seafood products. Market growth has encouraged inshore lobster fishermen to retain their Jonah crab bycatch and we have been successful in procuring this additional and growing source of raw material.

The Lockeport plant was completely renovated in 1996 and underwent a $1.9 million expansion in 2000 to take advantage of increased inshore Jonah crab landings.

Clearwater is a participant in a joint research program between the DFO and others involved in this fishery. This research, together with a conservative minimum size limit and a male crab only retention rule, helps assure the long-term sustainability of this resource.

Offshore Jonah crab landings have grown steadily in recent years. We are now leading the exploration for new Jonah crab fishing opportunities in waters off eastern Nova Scotia. We believe this exploration activity will result in additional Jonah crab enterprise allocations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

OVERVIEW

Clearwater Seafoods Income Fund (the "Fund") is a limited purpose, open-ended trust established under the laws of the Province of Ontario. The Fund was created to acquire and indirectly hold the securities of Clearwater Seafoods Limited Partnership ("Clearwater").

The Fund commenced operations in July 2002 when it completed an Initial Public Offering of 21,170,435 units and (indirectly) acquired 45.36% of the partnership units of Clearwater. On August 29th, 2002, the Fund issued an additional 2,117,043 units pursuant to an over-allotment option that had been granted to the underwriters and increased its indirect interest in Clearwater to 49.9%. On December 27th, 2002, the Fund issued 1,271,186 additional units through a private placement and increased its ownership in Clearwater to 51.23%, which in turn used the proceeds, along with $4,125,000 in cash, to acquire the remaining 45% interest in one of its subsidiaries – Deep Sea Clam Company Incorporated.

As the Fund does not have the right to nominate a majority of the directors of CS ManPar Inc., the managing general partner of Clearwater, the Fund does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Under this method, the Fund's share of the earnings of Clearwater is reflected in the statement of earnings of the Fund as a one-line item entitled "Equity in the Earnings of Clearwater Seafoods Limited Partnership". Due to the limited amount of information that this provides on Clearwater, the financial statements of Clearwater are included whenever the Fund discloses its financial results.

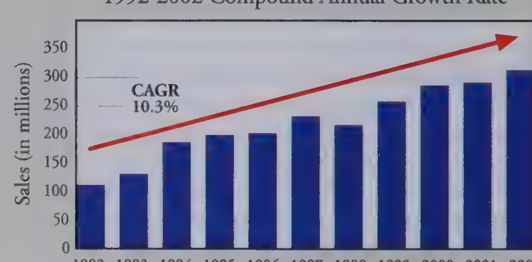
The Fund acquired its interest in Clearwater on July 30th, 2002. This is the first annual reporting period of the Fund since its inception. Therefore, the consolidated financial statements as at, and for the period ended, December 31st, 2002 reflect the results of operations for a period from July 30th, 2002 to December 31st, 2002. Accordingly, no comparative figures are presented.

STRATEGY AND CORE BUSINESS

Clearwater's principal assets include unparalleled access to a wide range of premium shellfish, state-of-the-art vessels, and modern at-sea and shore-based processing capacity. Clearwater is well positioned to capitalize on the opportunities created by an international growing demand for premium shellfish, a diversified, worldwide customer base, consistently high margins, and a fragmented industry comprised of many small enterprises. Clearwater intends to build on its leading market position *(see Clearwater's Sales History chart)* by capitalizing on the following strategies:

CLEARWATER'S SALES HISTORY

1992-2002 Compound Annual Growth Rate



STRATEGY AND CORE BUSINESS *(continued)*

- Clearwater intends to leverage the more than $182 million that has been invested since 1999 in modernized vessels and its shore-based processing plants. This has already resulted in increased yields, improved product quality, reduced costs, improved environmental responsiveness, and strong stewardship of the resources that Clearwater harvests.
- Clearwater will continue to develop new businesses through the use of technology and research and development. Almost one-third of Clearwater's revenues in 2002 were attributable to relatively new businesses focused on previously unexploited species, such as Arctic surf clams, Argentine scallops, and Jonah crab. Clearwater is currently cultivating markets for the Arctic surf clam bycatches of northern propeller clams and Greenland cockles.
- Clearwater, the dominant harvester in each of its core fisheries, will continue to pursue acquisitions of complementary businesses and joint venture opportunities.
- Clearwater intends to foster long-term, strategic relationships by assisting its customers in offering premium shellfish to the public. It will also continue to offer consumer education programs and improve on its already recognized quality and reliable distribution systems.
- Clearwater will continue to take a leadership role in working with the DFO and other industry participants to build sustainable resource management regimes. These efforts have resulted in the TAC for shellfish generally increasing or remaining stable over the last eight years *(see Total Allowable Catch by Species, 1995-2002 table).*

TOTAL ALLOWABLE CATCH BY SPECIES, 1995-2002
(IN METRIC TONNES)

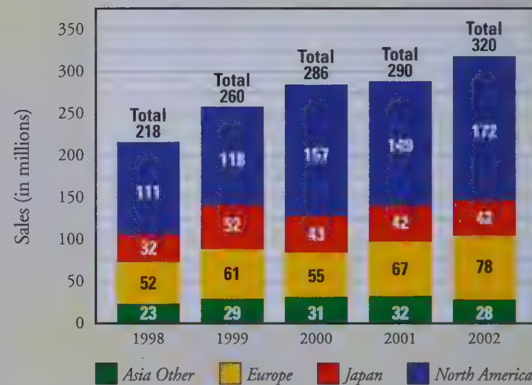
Year	Sea Scallops	Arctic Surf Clams	Lobster	Jonah Crab	Cold Water Shrimp
1995	4,700	50,000	720	720	57,300
1996	4,075	50,000	720	720	59,335
1997	5,075	50,000	720	720	84,960
1998	5,355	50,000	720	720	114,007
1999	5,300	50,000	720	720	133,132
2000	8,750	44,000	720	720	139,146
2001	8,950	44,000	720	720	146,500
2002	8,650	44,000	720	720	152,890

KEY PERFORMANCE DRIVERS

Clearwater's key performance drivers include:

- its quota levels and amounts actually harvested;
- the markets for the various species of shellfish and the related customer relationships in those markets *(see Clearwater's Dollar Sales by Region chart)*;
- innovation and technology, including Clearwater's ability to leverage science and technology to create new products, increase quality, and reduce costs;
- ensuring Clearwater's employees continue to play an active role in its success.

CLEARWATER'S DOLLAR SALES BY REGION
1998-2002



CAPITAL AND OTHER RESOURCES

Clearwater's revenues and income are dependent primarily on its ability to harvest and, in some cases, purchase shellfish, which, in turn, is dependent to a large extent on the annual TAC for each species. The annual TAC is generally related to the health of the stock of the particular species of shellfish.

The primary shellfish stocks that Clearwater relies upon are sea scallops, Arctic surf clams, lobster, Argentine scallops, and cold water shrimp, all of which operate in offshore fisheries that have a limited number of participants. Clearwater harvests sea scallops, Arctic surf clams, and Argentine scallops with its own vessels. Clearwater obtains its lobster and cold water shrimp through harvesting with its own vessels and through purchases from independent fishermen.

- The sea scallop resource is strong and landings have been high over the last number of years. Clearwater believes that this is a very well managed fishery.
- The Arctic surf clam resource is stable. In addition, Clearwater is now harvesting and marketing a significant amount of the bycatch (i.e., northern propeller clams and Greenland cockles) that is landed by the clam fleet.
- The lobster resource is considered strong and landings continue to be high with no immediate decreases expected.
- The Argentine scallop resource is strong as newer fishing grounds are being discovered, which allow for previously fished grounds to produce mature scallops faster.
- The cold water shrimp resource remains strong and Clearwater expects that catch rates and landings will continue at historical levels.

CAPITAL AND OTHER RESOURCES *(continued)*

Clearwater maintains the largest fleet of factory freezers in Canada. It also maintains a large fleet of wet fish trawlers that harvest Clearwater's offshore lobster quota and a portion of its sea scallop allocation. The condition and operating capability of these vessels is paramount for Clearwater successfully operating in its fisheries. Prior to the IPO of the Fund, more than $170 million was spent by Clearwater Fine Foods Incorporated ("CFFI") on Clearwater's fleet as well as its processing facilities. A few notable additions were:

- The Atlantic Leader, a factory freezer scallop trawler, was delivered in June 2002. A second factory freezer trawler, the Atlantic Guardian, was delivered in February 2003.
- The Atlantic Enterprise, a cold water shrimp vessel, was delivered in April 2002. Clearwater's other cold water shrimp vessel, the Arctic Endurance, was put into service in October 2000.
- Clearwater's three factory clam vessels have all undergone major refits within the last three years prior to the IPO.
- The Atlantic Surf III entered the Argentine scallop fishery in December 2001.

Clearwater historically has spent an average of $13 million a year on the maintenance of its fleet and processing plants. These assets are capable of harvesting and processing Clearwater's full quota of each species of shellfish, and there remains some excess capacity to account for projected growth in the business.

Due to the nature of Clearwater's operations, there are seasonal demands on working capital. These primarily relate to the segments of the business that purchase product from independent fishermen. These purchases cannot be controlled as efficiently as raw materials harvested by Clearwater's own fleet of vessels. However, Clearwater has sufficient capital resources to meet all of its obligations and to purchase the product required to meet its operating plans.

Cash flow generated by Clearwater is used to fund distributions to unitholders and to pay interest, taxes, and capital expenditures. During the period from July 30th, 2002 to December 31st, 2002, Clearwater generated $31.1 million in distributable cash and distributed $22.5 million of such cash. The $8.6 million that was undistributed was used to reduce Clearwater's long-term debt. Clearwater's operations are seasonal in nature and, as a result, gross profit is typically higher in the second half of the calendar year than the first half of the year.

RESULTS OF OPERATIONS

Financial Highlights ($000's except per unit amounts)	**THE FUND** Five-Month Period Ended December 31, 2002	**CLEARWATER** Five-Month Period Ended December 31, 2002
Sales[1]		$ 156,006
Equity in earnings of Clearwater[2]	$ 15,180	
EBITDA[3]		42,347
Net earnings	15,004	30,423
Basic and diluted earnings per unit	$ 0.64	$ 0.64
Distributable cash[4]	11,276	31,125
Distributions paid or payable	11,276	22,476
Distributable cash per unit	$ 0.48	$ 0.67
Distributions per unit	$ 0.48	$ 0.48
Weighted Average Units Outstanding		
Trust Units		23,328,750
Special Trust Units		23,381,217
Limited Partnership Units		46,709,967

1. Sales by species for the five-month period were as follows: Lobster – 22%, Sea scallops – 17%, Groundfish – 15%, Arctic surf clams – 14%, Argentine scallops – 10%, Cold Water shrimp – 7%, Other – 15%.
2. As the Fund does not currently have the right to nominate the majority of the board of directors (as it owns less than 55% of units of Clearwater) it does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Under this method, the Fund's share of the earnings of Clearwater is reflected in the statement of earnings of the Fund as a one-line item titled "Equity in the earnings of Clearwater Seafoods Limited Partnership". Due to the limited amount of information that this would provide on the underlying operations of Clearwater, the financial highlights of Clearwater are also enclosed.
3. Earnings before interest, tax, depreciation, amortization, and minority interest is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides an indication of cash available for distribution prior to interest, taxes, and capital expenditures. EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance or cash flows as measure of liquidity and cash flows. For a reconciliation of EBITDA to earnings, please see the reconciliation in note 4.

RESULTS OF OPERATIONS *(continued)*

4. Distributable cash is determined for the year-to-date period as follows:

Net earnings	$	30,423
Add:		
Bank interest and charges		446
Interest on long-term debt		2,209
Depreciation and amortization		5,563
Income taxes		2,795
Minority interest		911
EBITDA		42,347
Less: Non-cash foreign exchange income		(1,484)
Minority interest in EBITDA		(2,321)
Proportionate interest expense		(2,386)
Proportionate cash income taxes		(2,696)
Proportionate maintenance capex		(2,335)
Distributable cash	$	31,125

Consolidated Operating Results for the period July 30th, 2002 to December 31st, 2002.

The results of operations of the Fund are entirely related to Clearwater's performance and therefore the commentary below is on the operations of Clearwater.

Sales for the abbreviated fiscal period ended December 31st, 2002 were $156 million with fourth quarter sales representing $96 million. Selling prices for sea scallops, Arctic surf clams, Argentine scallops, lobster, and cold water shrimp met or exceeded management's expectations. Jonah crab and cod selling prices were lower than expected.

Gross profit was $50.1 million, of which $33.8 million was realized in the fourth quarter. The gross profit represented 32.0% of sales for the five-month period, which met management's expectations. Sea scallop and lobster volumes were up as market conditions rebounded from the fall of 2001. Argentine scallop margins remained strong due to selling prices and costs of production being lower as a result of the devaluation of the Argentine peso during the period. Jonah crab margins were lower than expected as a result of declining selling prices for crab meat. Clearwater plans to invest in equipment that will enable it to pasteurize the Jonah crab meat, which will strengthen the market value of the product. The cod market weakened at the end of the year, which resulted in reduced margins for cod. Frozen-at-sea cold water shrimp margins were above management's expectations because prices increased due to Chinese New Year demand and the expansion by Clearwater into non-traditional cold water shrimp markets.

Administration and selling costs for the five-month period were 7.6% of sales, which was below management's expectations due primarily to a reorganization and reduction of head office staff. Offsetting such decreases somewhat

RESULTS OF OPERATIONS *(continued)*

was the addition of sales staff to properly penetrate the canned clam market. This product has shown promise and will be the focus of additional sales and marketing efforts in 2003.

Foreign exchange income was higher than expected. Approximately $1.6 million of foreign exchange income is the non-cash, period-end fair-value adjustment of the liability associated with foreign exchange options.

EBITDA was $42.3 for the five-month period ending December 31st, 2002. This was ahead of management's expectations as Clearwater had a very successful five-months with sales prices recovering to historical levels and higher than expected foreign exchange income.

Interest expense was higher than expected during the period due to higher average interest rates than our expectations.

Income taxes of $2.8 million for the five-month period were lower than management's expectations mainly due to the use of loss carry-forwards of a foreign subsidiary.

DISTRIBUTABLE CASH AND CASH DISTRIBUTIONS

During the period ended December 31st, 2002, Clearwater declared the following cash distributions:

Declaration Date	Record Date	Payment Date	Distribution Per Unit	Total (in $000's)
To the Fund, as holders of CSLP Class A partnership units				
August 22, 2002	August 30, 2002	September 16, 2002	$ 0.0958	$ 2,231
September 20, 2002	September 28, 2002	October 15, 2002	0.0958	2,231
October 22, 2002	October 31, 2002	November 15, 2002	0.0958	2,231
November 18, 2002	November 29, 2002	December 16, 2002	0.0958	2,231
December 17, 2002	December 31, 2002	January 15, 2003	0.0958	2,352
				11,276
To CFFI, as holders of CSLP Class B partnership units				
September 20, 2002	September 28, 2002	October 15, 2002	0.1916	4,480
December 17, 2002	December 31, 2002	January 15, 2003	0.2874	6,720
				11,200
Total distributions				$ 22,476

For the period from July 30th, 2002 to December 31st, 2002, Clearwater generated $31.1 million of distributable cash and distributed $22.5 million to the unitholders of Clearwater, including the December distribution of $9.1 million, which was paid on January 15th, 2003. Clearwater will make distributions to unitholders of its available cash to the maximum extent

RESULTS OF OPERATIONS *(continued)*

possible. However, as previously noted, the operations of Clearwater are seasonal in nature and, as a result, gross profit is typically higher in the second half of the calendar year than the first half of the year.

All distributions that were paid by Clearwater to the Fund were, in turn, distributed to unitholders, which resulted in distributions per month of $0.0958 for the period from July 30th, 2002 to December 31st, 2002.

LIQUIDITY AND CAPITAL RESOURCES

In July 2002, the Fund completed an IPO and sold 21,170,435 units for net proceeds of $196,578,000. The net proceeds were used to purchase 45.36% of the Class A partnership units of Clearwater (Clearwater was the seafood business of Clearwater Fine Foods Incorporated). On August 29th, 2002, the Fund issued an additional 2,117,043 units pursuant to an over-allotment option with the underwriters for net proceeds of $19,953,000. The funds were used to acquire additional units in Clearwater Seafoods Limited Partnership bringing the Fund's ownership to 49.9%. On December 27th, 2002 the Fund issued 1,271,186 units through a private placement and increased its ownership in Clearwater to 51.23%, which in turn used the proceeds, along with $4,125,000 in cash, to acquire the remaining 45% interest in one of its subsidiaries – Deep Sea Clam Company Incorporated.

Cash flow generated by Clearwater is used to fund distributions to unitholders of Clearwater and to pay interest, taxes, and capital expenditures. During the period from July 30th, 2002 to December 31st, 2002, Clearwater generated $31.1 million in distributable cash and distributed $22.5 million.

Clearwater has in place a $90 million term credit facility that is classified as long-term debt. Clearwater uses this facility to fund Clearwater's current operations as well as capital expenditures and other operating commitments. As at December 31st, 2002, $71.5 million was drawn under this facility.

Capital expenditures were $4.4 million for the period from July 30th, 2002 to December 31st, 2002. Of this amount, $2.3 million was maintenance capital and $2.1 million was considered ROI (return on investment) capital. The ROI capital related primarily to vessels.

RISKS AND UNCERTAINTIES

The Fund is a limited purpose trust which is entirely dependent upon the operations and assets of Clearwater. Cash distributions to unitholders are not guaranteed and depend on the ability of Clearwater to pay distributions on its partnership units. Clearwater's income and cash flow are generated from, and fluctuate with, the performance of its business, which is susceptible to a number of risks, including risks related to resource supply, food processing and product liability, customers, economic fluctuations, and government regulations.

Resource supply risk is managed through adherence to DFO policies and guidelines and our investment in science and technology, which enables Clearwater to understand the species that it harvests. Clearwater has invested

RISKS AND UNCERTAINTIES *(continued)*

in projects with the scientific community, such as ocean floor mapping and the development of rotational fishing plans. The guidelines, developed by DFO, are very often a cooperative effort between industry participants and DFO. Clearwater further mitigates the risk associated with resource supply and competition through the diversification across species with no one species representing more than 25% of revenue.

Food processing and product liability risks are reduced through Clearwater's satisfaction of all Canadian Food Inspection Agency guidelines and through the strict implementation of quality control programs. These include HACCP (Hazard Analysis Critical Control Point) programs on Clearwater's sea-and-land-based facilities. Clearwater's plants have been approved by some of the largest seafood purchasers in the world, including Sysco Corporation in the United States and Marks & Spencer in the United Kingdom. Clearwater processes a large portion of its products using frozen-at-sea technology which also mitigates food processing and product liability risks because many of these products undergo minimal handling and are shipped directly from the vessel.

Risk associated with customers is mitigated through diversification. Clearwater has over 1,100 customers worldwide with no individual customer representing more than 5% of sales. Clearwater uses a combination of credit reporting agencies, credit insurance, letters of credit, and secured forms of payment to mitigate credit risk associated with its customers.

Clearwater operates internationally, which reduces the impact of any country-specific economic risks on its business. Forward exchange contracts are used by Clearwater to manage its foreign currency exposures.

Clearwater mitigates risks associated with government regulation by working closely with the various government organizations, such as DFO.

OUTLOOK

The outlook for 2003 is for continued stability in the market.

Harvesting activity is predicted to remain strong for 2003 for all Clearwater's species with no material changes in quota levels. Clearwater's first sea scallop freezer vessel is operating well and Clearwater has taken delivery of its second vessel and expects that it will begin to contribute to operations in the second quarter. Clearwater's new clam species, northern propeller clams and Greenland cockles, continue to be well received by the marketplace.

Clearwater has met all planned distribution targets during the five-month period since the IPO and expects to be able to continue to do so. In 2003, we anticipate that the continued profitability of our operations in Argentina will result in minority interest expense being recorded, which has the effect of recording 70% of the earnings from our operations in Argentina in 2003 versus 100% in 2002. Our minority partner's share of the cash flows has been deducted in the calculation of distributable cash flow for 2002.

The positive developments noted above continue to reflect well and management intends to look to increase distributions per unit in the future when it believes that an increase could be sustained over the longer term.

SELECTED FINANCIAL INFORMATION

The combined pro-forma 2002 statement of earnings disclosed below reflects the unaudited interim earnings of Clearwater Fine Foods Fishing Business (the "Business") for the seven-month period from January 1st, 2002 to July 29th, 2002 and the audited statement of earnings of Clearwater Seafoods Limited Partnership ("CSLP") for the five-month period from July 30th, 2002 to December 31st, 2002.

The earnings information for 2001 reflects the earnings of the Business as operated by Clearwater Fine Foods Incorporated. This statement of earnings, which has been audited, was included in the Initial Public Offering Prospectus on page F-13.

The results prior to July 30th, 2002 do not reflect the acquisition of the minority interest in a subsidiary and the current capital structure, which would have impacted bank interest, interest on long-term debt, income taxes, and minority interest.

	Combined pro-forma 2002 (Unaudited)	**2001** (Audited)
Sales	$ 319,928	$ 290,117
Cost of goods sold	232,383	205,685
Gross profit	87,545	84,432
Administration and selling	29,412	27,425
Other income	(4,233)	(2,392)
Foreign exchange	(179)	5,574
	25,000	30,607
Earnings before interest, depreciation and amortization, taxes, and minority interest	62,545	53,825
Bank interest and charges	2,445	3,475
Interest on long-term debt	13,072	12,403
Depreciation and amortization	14,003	17,040
	29,520	32,918
Earnings before income taxes and minority interest	33,025	20,907
Income taxes	2,036	11,437
Earnings before minority interest	30,989	9,470
Minority interest	1,456	899
Net earnings	$ 29,533	$ 8,571

SELECTED FINANCIAL INFORMATION *(continued)*

YEAR ENDED DECEMBER 31st, 2002

In fiscal 2002, Clearwater Fine Foods Fishing Business operated under the umbrella of Clearwater Fine Foods Incorporated for seven months and as Clearwater Seafoods Limited Partnership for the remaining five months.

Sales for the year ended December 31st, 2002 increased to $319.9 million from $290.1 million in 2001, representing an increase of $29.8 million or 10.28%.

Much of this growth came from new species that had been developed by Clearwater over the past several years. This included increases of $8 million of Argentine scallops, $4.6 million of snow crab, and $2.5 million of Jonah crab. In addition, sea scallop sales increased by $9 million due to higher volumes.

Gross profit margin decreased 1.8 percentage points from 29.1% in 2001 to 27.4 in 2002. Selling prices in 2002 for Arctic surf clams, cold water shrimp, snow crab, cooked and peeled shrimp, and cod were higher than 2001. Selling prices for Argentine scallops and sea scallops were lower in 2002 although they began to recover in the latter part of 2002.

Arctic surf clam volumes were down in 2002, however, this was largely offset by the increased selling prices. Arctic surf clam volumes were down due to lost fishing days experienced with the Atlantic Pursuit, which spent more time in drydock than expected, and the Ocean Concord, which lost approximately one month of fishing time due to generator problems that have since been fixed.

Sea scallop volumes were up in 2002, however, this was partially offset by decreased sales prices. Sea scallops volumes increased as Clearwater carried a higher inventory position into 2002 due to the soft market conditions experienced in late 2001. Although sea scallop prices were lower than 2001, prices began to improve in the second half of 2002.

Argentine scallop volumes were up, however, this was partially offset by decreased sales prices. Argentine scallop volumes increased 43% with the addition of a second vessel and quota in 2002. Most of this product was sold in the European market and the increased supply into this market caused a decrease in price in 2002.

Jonah crab volumes increased as Clearwater continued to focus on growing this part of the business in 2002.

Cold water shrimp volumes were down. Clearwater's newest shrimp vessel, the Atlantic Enterprise, was delivered in May 2002. Because only one shrimp vessel (instead of two) fished in the first five months of 2002, landings of shrimp were lower than in 2001.

Cooked and peeled shrimp costs were down due to lower costs for the purchase of raw materials.

Administration and selling costs increased by $2 million, or 7.25%, to $29.4 million. These costs increased due to the opening of an additional sales office in Florida and the addition of sales staff to properly penetrate the canned clam market.

Other income increased by $1.8 million from $2.4 million in 2001 to $4.2 million in 2002. This increase was due to export rebate income of $1.4 million associated with a portion of the Argentine operations that began to operate out of a tax-free zone in 2002 and $1.3 million of gains associated with vessel disposals.

SELECTED FINANCIAL INFORMATION *(continued)*

Foreign exchange improved by $5.8 million from a loss of $5.6 million in 2001 to income of $0.2 million in 2002. The increase is due primarily to lower non-cash losses associated with the period-end fair-value adjustment of the liability associated with foreign exchange options as well as lower translation losses on long-term debt denominated in foreign currencies, primarily U.S. dollars.

Bank interest and charges decreased by $1 million from $3.5 million to $2.5 million. This decrease is due to the fact that Clearwater Seafoods Limited Partnership does not utilize short-term operating loans.

Interest on long-term debt increased by $0.7 million due to higher average loans outstanding in the business prior to the IPO in July 2002 as compared to 2001 due to increased working capital requirements and capital expansion.

Depreciation and amortization decreased by $3.0 million, or 17.8%, as in 2001 amortization was recorded on licences. In the first quarter of 2002, new Canadian Institute of Chartered Accountants standards were adopted that provided these licences would no longer be amortized.

Income taxes decreased by $9.4 million from $11.4 million to $2.0 million due primarily to the reorganization of the business as a limited partnership but also due to a higher proportion of income being earned in Argentina, which was not subject to tax due to the use of tax carry-forwards.

Net earnings for the year ended December 31st, 2002 were $29.5 million compared to $8.6 million for the year ended December 31st, 2001.

EBITDA AND GROSS PROFIT

Earnings before interest, tax, depreciation, amortization, and minority interest is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides an indication of cash available for distribution prior to interest, taxes, and capital expenditures. EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance or cash flows as measure of liquidity and cash flows.

Gross profit consists of sales less harvesting, production, distribution, and manufacturing overheads.

FORWARD-LOOKING STATEMENTS

This Report may contain forward-looking statements. Such statements involve known and unknown risks, uncertainties, and other factors outside management's control that could cause actual results to differ materially from those expressed in the forward-looking statements. The Fund does not assume responsibility for the accuracy and completeness of the forward-looking statements and does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The consolidated financial statements are the responsibility of the management of Clearwater Seafoods Income Fund. They have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements, and other financial information contained in this report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Management is also responsible for maintaining a system of internal control designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate, and reliable financial information.

The Board of Directors of CS ManPar Inc., which includes the Trustees of Clearwater Seafoods Income Fund, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of three non-management directors. The Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements, and to recommend approval of the consolidated financial statements to the Trustees.

KPMG LLP, the independent auditors appointed by the Trustees, have audited the Fund's consolidated financial statements in accordance with generally accepted auditing standards and their report follows. The independent auditors have full and unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the financial reporting process.

February 7th, 2003

Colin MacDonald *Chief Executive Officer*

R D Wight

Robert Wight
Vice-President, Finance and
Chief Financial Officer

AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the consolidated balance sheet of Clearwater Seafoods Income Fund as at December 31st, 2002 and the consolidated statements of earnings and cumulative earnings and cash flows for the period from July 30th, 2002 to December 31st, 2002. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31st, 2002 and the results of its operations and its cash flows for the period from July 30th, 2002 to December 31st, 2002 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Halifax, Canada – February 7th, 2003

CONSOLIDATED BALANCE SHEET

As at December 31, 2002

(In thousands of dollars)

ASSETS		
Current Assets		
Distribution receivable from Clearwater Seafoods Limited Partnership	$	2,352
Investment in Clearwater Seafoods Limited Partnership (note 3)		249,353
	$	251,705
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Distribution payable to unitholders	$	2,352
Unitholders' Equity		
Trust Units (note 4)		245,625
Cumulative earnings		15,004
Cumulative distributions		(11,276)
		249,353
	$	251,705

See accompanying notes to consolidated financial statements

Approved by the Board of Trustees:

Purdy Crawford **James Gogan**

CONSOLIDATED STATEMENTS OF EARNINGS AND CUMULATIVE EARNINGS

For the period from July 30, 2002 to December 31, 2002		
(In thousands of dollars)		
Equity in earnings of Clearwater Seafoods Limited Partnership	$	15,180
Amortization of the Fund's intangible assets		(176)
Net earnings and cumulative earnings	$	15,004
Net earnings and diluted earnings per trust unit	$	0.64

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from July 30, 2002 to December 31, 2002		
(In thousands of dollars)		
Cash flows from operating activities		
Net earnings	$	15,004
Items not involving cash		
Equity in earnings of Clearwater Seafoods Limited Partnership, net of cash distributions received of $11,276		(3,904)
Amortization of the Fund's intangible assets		176
		11,276
Cash flows from financing activities		
Issuance of units (note 4)		245,625
Distributions to unitholders		(11,276)
		234,349
Cash flows from investing activities		
Acquisition (note 3)		(245,625)
Increase (decrease) in cash		–
Cash – beginning of period		–
Cash – end of period	$	–

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from July 30, 2002 to December 31, 2002
(Tabular amounts expressed in thousands of dollars)

1. ORGANIZATION AND DESCRIPTION OF THE FUND

Clearwater Seafoods Income Fund (the "Fund") is a limited purpose, open-ended trust established under the laws of the Province of Ontario. The Fund was created to acquire and indirectly hold the securities of Clearwater Seafoods Limited Partnership ("Clearwater").

On July 30, 2002 the Fund issued 21,170,435 units at a price of $10 per unit pursuant to an Initial Public Offering for proceeds of $211,704,350. On August 29, 2002, the Fund issued an additional 2,117,043 units at $10 per unit for proceeds of $21,170,430 pursuant to an over-allotment option with the underwriters. The proceeds of these offerings were used to acquire 49.9% of the partnership units of Clearwater. The expenses of the offering and underwriter's fees were paid directly by Clearwater.

On December 27, 2002 the Fund issued 1,271,186 units for $10.03 per unit for net proceeds of 12,750,000 through a private placement. The proceeds were used to acquire 1,271,186 units in Clearwater bringing the Fund's ownership in Clearwater to 51.23%.

2. ACCOUNTING POLICIES

The financial information contained in the accompanying consolidated financial statements has been prepared in accordance with Canadian generally accepted accounting principles.

(a) Intangible assets and goodwill

The excess of the Fund's cost of its investment in units of Clearwater has been allocated to licences with indefinite lives, licences with finite lives, customer relationships, and goodwill.

Licences have indefinite lives. Accordingly, they are not amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Licence agreements have finite lives. Accordingly, they are amortized over the term of the related agreement and tested for impairment if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the licences with their fair value and licence agreements with their net recoverable amount, and an impairment loss would be recognized in income for any excess of the carrying value over fair value.

Customer relationships are amortized over their useful lives as estimated based on customer turnover rates.

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the net assets acquired, based on their fair values. Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. When the fair value of goodwill is less than its carrying amount, the implied value of the reporting unit's goodwill is compared to the carrying value of goodwill and an impairment loss would be recognized in an amount equal to the excess and it would be disclosed in the statement of earnings.

(b) Consolidation

These consolidated financial statements consolidate the accounts of the Fund and its subsidiary, Clearwater Seafoods Holdings Trust, from the date of acquisition on July 30, 2002.

As the Fund does not have the right to nominate the majority of the board of directors, it does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Under this method, the cost of the investment is increased by the Fund's proportionate share of Clearwater's earnings and reduced by any distributions paid to the Fund by Clearwater and amortization of the purchase price discrepancy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from July 30, 2002 to December 31, 2002
(Tabular amounts expressed in thousands of dollars)

2. ACCOUNTING POLICIES (continued)

Due to the limited amount of information that this provides on the underlying operations of Clearwater, the financial statements of Clearwater are also enclosed.

(c) Income taxes

The Fund is a unit trust for income tax purposes. As such, the Fund is only taxable on any taxable income not allocated to the unitholders. As substantially all taxable income has been allocated to the unitholders, no provision for income taxes on earnings of the Fund has been made in these financial statements. Income tax liabilities relating to distributions of the Fund are the obligations of the unitholders.

(d) Distributions to unitholders

The Fund's distribution policy is to make distributions to unitholders of its available cash to the maximum extent possible consistent with good business practices.

It is anticipated that cash distributions will be payable monthly to the unitholders of record on the last business day of each month and will be paid no later than the 15th day of the following month or, if such day is not a business day, not later than the next business day.

(e) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Fund may undertake in the future.

(f) Financial instruments

The carrying value of the receivable from Clearwater and distributions payable to unitholders approximate fair values based on the short-term maturity of these instruments.

3. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

(a) Initial investment

The Fund, using proceeds from the Initial Public Offering and over-allotment, acquired a 49.9% interest in Clearwater for cash consideration of $232,874,000. The acquisition has been accounted for using the equity method and the results of Clearwater have been included in the Fund's consolidated statements from the date of acquisition. Details of the allocation of the assigned values as at July 30, 2002 are as follows:

Tangible assets acquired	
Current assets	$ 48,647
Capital and other long-term assets	67,337
Intangible assets acquired	
Licences – indefinite lives	185,007
Licences – finite lives	2,664
Customer relationships	500
Goodwill	18,759
Liabilities assumed	
Current liabilities	(27,826)
Long-term liabilities and minority interest	(62,213)
Net assets acquired	$ 232,875

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from July 30, 2002 to December 31, 2002
(Tabular amounts expressed in thousands of dollars)

3. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP (continued)

(b) December 2002 investment
On December 27, 2002, the Fund, using proceeds from a private placement, acquired an additional 1.33% interest in Clearwater for $12,750,000 bringing the Fund's ownership in Clearwater to 51.23%. The excess of the purchase price over the proportionate share of net assets, being $11,189,000, has been allocated to a licence, licence agreements, customer relationships, and goodwill.
(c) As at December 31, 2002 the investment in Clearwater consists of the following:

Investment in units, at cost	$ 245,625
Equity in earnings	15,004
Less: Distributions received	(11,276)
	$ 249,353

4. TRUST UNITS

The Declaration of Trust provides that an unlimited number of units and an unlimited number of Special Trust Units may be issued. Each unit is transferable and represents an equal undivided beneficial interest in any distributions of the Fund and in the net assets of the Fund in the event of termination or winding up of the Fund. All units have equal rights and privileges. Each unit entitles the holder thereof to participate equally in the distributions and to one vote at all meetings of unitholders for each whole unit held. The issued units are not subject to future calls or assessments. Units are redeemable at any time at the option of the holder at amounts related to market price at the time, subject to a maximum of $50,000 in aggregate cash redemptions by the Fund in any particular month. This limitation may be waived at the discretion of the Trustees of the Fund. Redemption in excess of this amount, assuming no waiving of the limitation, shall be paid by way of a distribution in specie of assets of the Fund, namely notes of Clearwater Seafoods Holdings Trust.

The Special Trust Units have been issued solely to provide voting rights to Clearwater Class B units ("CSLP Exchangeable Units"). Special Trust Units were issued in conjunction with the CSLP Exchangeable Units and cannot be transferred separately from them. Special Trust Units entitle the holders thereof to the number of votes at any meeting of unitholders of the Fund equal to the number of units which may be obtained upon exchange of the CSLP Exchangeable Units to which they relate and do not otherwise entitle the holder to any rights with respect to the Fund's property or income.

CSLP Exchangeable Units that are no longer subject to subordination (as described below) may at any time thereafter at the option of the holder be exchanged on a one-for-one basis for units of the Fund.

The right of the holders of CSLP Exchangeable Units to receive distributions from Clearwater is subordinated to the rights of holders of Class A limited partnership units of Clearwater ("CSLP Ordinary Units") until the date on which both (i) distributions paid in respect of a fiscal year on the CSLP Ordinary Units and the CSLP Exchangeable Units total at least $1.15 per unit; and (ii) Clearwater has earned Adjusted EBITDA of at least $1.38 per unit for the same fiscal year; provided that in any event the earliest date in respect of which subordination shall end in respect of 60% of the CSLP Exchangeable Units shall be December 31, 2003 and in respect of the remaining 40%, December 31, 2005.

CSLP Exchangeable Units that are subject to subordination as described above are not during such period of subordination exchangeable into units of the Fund and their entitlement to distributions from Clearwater in respect of any month during such period is subordinated until CSLP Ordinary Units and CSLP Exchangeable Units that at the time are not subject to subordination have received distributions of at least $0.0958 per unit in respect of such month.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from July 30, 2002 to December 31, 2002

(Tabular amounts expressed in thousands of dollars)

4. TRUST UNITS (continued)

	Units	Special Trust Units	$
Issuance of Units, July 2002	21,170,435	–	$ 211,704
Issuance of Special Trust Units, July 30, 2002	–	25,498,260	–
Issuance of Class A Units, August 29, 2002	2,117,043	–	21,171
Redemption of Special Trust Units, August 29, 2002	–	(2,117,043)	–
Issuance of Units, December 27, 2002	1,271,186	–	12,750
	24,558,664	23,381,217	$ 245,625

As at December 31, 2002 there were in total 47,939,881 units outstanding.

5. DISTRIBUTIONS TO UNITHOLDERS

During the period to December 31, 2002, the Fund declared distributions to unitholders of $11,276,000 or $0.479 per unit. The amounts and record dates of the distributions were:

Record Date	Amount	Amount Per Unit
August 30, 2002	$ 2,231	$ 0.0958
September 30, 2002	2,231	$ 0.0958
October 31, 2002	2,231	$ 0.0958
November 29, 2002	2,231	$ 0.0958
December 31, 2002	2,352	$ 0.0958
	$ 11,276	$ 0.4790

6. ADMINISTRATION AGREEMENT

The Fund has entered into an Administration Agreement with Clearwater. Under the terms of the agreement, Clearwater is responsible to provide administrative and support services to the Fund and is to provide these services for no additional consideration, other than payment of out-of-pocket expenses. There were no charges for out-of-pocket expenses during this period.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The consolidated financial statements are the responsibility of the management of Clearwater Seafoods Limited Partnership. They have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements, and other financial information contained in this report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Management is also responsible for maintaining a system of internal control designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate, and reliable financial information.

The Board of Directors of CS ManPar Inc., the managing partner of Clearwater Seafoods Limited Partnership, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of three non-management directors. The Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements, and to recommend approval of the consolidated financial statements to the Board.

KPMG LLP, the independent auditors appointed by the trustees, have audited the Partnership's consolidated financial statements in accordance with generally accepted auditing standards and their report follows. The independent auditors have full and unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the financial reporting process.

February 7th, 2003

Colin MacDonald *Chief Executive Officer*

R D Wight

Robert Wight
Vice-President, Finance and Chief Financial Officer

AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the consolidated balance sheets of Clearwater Seafoods Limited Partnership as at December 31st, 2002 and as at July 30th, 2002 and the consolidated statements of earnings and cumulative earnings and cash flows for the period from July 30th, 2002 to December 31st, 2002. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31st, 2002 and as at July 30th, 2002 and the results of its operations and its cash flows for the period from July 30th, 2002 to December 31st, 2002 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Halifax, Canada – February 7th, 2003

CONSOLIDATED BALANCE SHEET

As at December 31, 2002 with comparative figures for July 30, 2002
(In thousands of dollars)

	December 31, 2002	July 30, 2002
ASSETS		
Current Assets		
Cash	$ 759	$ 273
Accounts receivable	51,967	40,976
Inventories	45,954	48,700
Prepaids	5,694	7,542
	104,374	97,491
Other long-term assets (note 4)	10,266	9,444
Capital assets (note 5)	124,502	125,542
Licences (note 6)	41,805	30,577
Goodwill	8,972	8,972
	$ 289,919	$ 272,026
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 45,033	$ 54,075
Distributions payable	9,072	–
Income taxes payable	3,032	1,690
Current portion of long-term debt (note 7)	2,794	2,108
	59,931	57,873
Long-term debt (note 7)	107,975	107,860
Future income taxes	9,719	5,153
Due to joint venture partner	1,995	1,995
Minority interest	–	9,152
Unitholders' Equity		
Partnership Units (note 8)	122,133	109,383
Cumulative earnings	30,423	–
Cumulative distributions	(22,476)	–
Cumulative translation account	(19,781)	(19,390)
	110,299	89,993
	$ 289,919	$ 272,026

Commitments (note 10)

See accompanying notes to consolidated financial statements

Approved by the Board of Directors
of CS ManPar Inc.:

John Risley *Chairman*

Colin MacDonald *Chief Executive Officer*

CONSOLIDATED STATEMENTS OF EARNINGS AND CUMULATIVE EARNINGS

For the period from July 30, 2002 to December 31, 2002
(In thousands of dollars)

Sales	$ 156,006
Cost of goods sold	105,935
Gross profit	50,071
Administration and selling	12,007
Other income	(918)
Foreign exchange	(3,365)
	7,724
Earnings before interest, depreciation and amortization, taxes and minority interest	42,347
Bank interest and charges	446
Interest on long-term debt	2,209
Depreciation and amortization	5,563
	8,218
Earnings before income taxes and minority interest	34,129
Income taxes (note 9)	2,795
Earnings before minority interest	31,334
Minority interest	911
Net earnings and cumulative earnings	30,423
Net earnings per unit	$ 0.64

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from July 30, 2002 to December 31, 2002
(In thousands of dollars)

Cash flows from operating activities	
Net earnings	$ 30,423
Items not involving cash	
Depreciation and amortization	5,563
Foreign exchange on long-term debt	519
Future income taxes	98
Minority interest	911
Other	(160)
	37,354
Change in non-cash operating working capital	(14,097)
	23,257
Cash flows from financing activities	
Issuance of units (note 8)	229,281
Redemption of units (note 8)	(19,953)
Proceeds from long-term debt (including $71,150,000 used for acquisition, note 1)	71,431
Deferred foreign currency	(392)
Distributions to unitholders	(13,404)
	266,963
Cash flows from investing activities	
Acquisition (note 1)	(284,603)
Increase in other long-term assets and other	(690)
Purchase of capital assets and licences	(4,441)
	(289,734)
Increase in cash	486
Cash – beginning of period	273
Cash – end of period	$ 759
Supplementary cash flow information	
Interest paid	$ 2,604
Income taxes paid	1,355
Changes in non-cash workng capital consists of changes in the following accounts:	
Accounts receivable	(10,991)
Inventories	2,746
Prepaids	1,848
Accounts payable and accrued liabilities	(9,042)
Income taxes payable	1,342
	(14,097)

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from July 30, 2002 to December 31, 2002
(Tabular amounts expressed in thousands of dollars)

1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

Clearwater Seafoods Limited Partnership ("Clearwater") is a limited partnership that was created to acquire the seafood business of Clearwater Fine Foods Incorporated ("CFFI").

On July 30, 2002 Clearwater issued 21,170,435 Class A limited partnership units at $10 per unit to Clearwater Seafoods Holdings Trust ("CSHT"), the sole beneficiary of which is Clearwater Seafoods Income Fund ("Fund"), for net proceeds of $196,578,000, after deducting expenses of the offering of $15,126,000. On that date Clearwater also completed the acquisition of the seafood business of CFFI. In consideration for such business, Clearwater issued 25,498,260 Class B general partnership units, assumed certain liabilities of CFFI related to the acquired business, and paid cash in the aggregate amount of $267,728,000. On August 29, 2002, in pursuance of an over-allotment option agreement entered into on July 30, 2002, Clearwater issued an additional 2,117,043 units to CSHT for $10 per unit for net proceeds of $19,953,000, after deducting expenses of $1,217,000, and used the proceeds to redeem 2,117,043 Class B general partnership units.

On December 27, 2002 Clearwater issued 1,271,186 units to CSHT for $10.03 per unit for net proceeds of 12,750,000 and used the proceeds, along with $4,125,000 in cash, to acquire the remaining 45% interest in one of its subsidiaries – Deep Sea Clam Company Incorporated.

In consequence of the above transactions, CFFI maintained the right to nominate the majority of the board of directors both before and after the above transactions and, as a result, the acquisition has been accounted for using the book values of the assets and liabilities as recorded by CFFI.

2. SEASONALITY

Due to the seasonal nature of the business, gross profit is typically higher in the second half of the calendar year than the first half of the year.

3. ACCOUNTING POLICIES

The financial information contained in the accompanying consolidated financial statements has been prepared in accordance with Canadian generally accepted accounting principles.

(a) Consolidation

These consolidated financial statements include the accounts of Clearwater and its subsidiaries and joint ventures from the date of acquisition on July 30, 2002.

Clearwater's investments in joint ventures are recognized in the financial statements using the proportionate consolidation method.

(b) Inventories

Inventories, which consist primarily of finished goods, are stated at the lower of cost and net realizable value.

(c) Capital assets

Capital assets are stated at cost. Depreciation is provided on a straight-line basis to amortize the cost of these assets over their estimated useful lives. Estimated useful lives range from 10 to 40 years for buildings, 3 to 17 years for equipment, and 10 to 20 years for vessels. Additions are depreciated at one-half the normal rates in the first year of use except significant additions, which are depreciated commencing in the month they are put into use.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from July 30, 2002 to December 31, 2002

(Tabular amounts expressed in thousands of dollars)

3. ACCOUNTING POLICIES (continued)

(d) Licences and licence agreements

Licences and licence agreements represent intangible assets acquired directly or in a business combination that meet the specified criteria for recognition apart from goodwill and are recorded at their fair value at the date of acquisition.

Licences have indefinite lives. Accordingly, they are not amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Licence agreements have finite lives. Accordingly, they are amortized over the term of the related agreement and tested for impairment if events or changes in circumstances indicate that the asset might be impaired.

The impairment test compares the carrying amount of the licences with their fair value and licence agreements with their net recoverable amount, and an impairment loss would be recognized in income for any excess of the carrying value over fair value.

(e) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the net assets acquired, based on their fair values.

Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. When the fair value of a reporting unit is less than its carrying amount, the implied value of goodwill is compared to the carrying value of the goodwill and an impairment loss recognized and it would be disclosed in the statement of earnings.

(f) Due to joint venture partner

The amount due to joint venture partner of $1,995,000 is a non-interest bearing capital advance that is repayable only upon dissolution of the joint venture partnership.

(g) Translation of foreign currencies

The accounts of a subsidiary company which is considered to be a self-sustaining operation have been translated to Canadian dollars using the current rate method. Assets and liabilities are translated at the rate of exchange in effect at the balance sheet date and revenue and expense items are translated at the rates in effect on the dates of such transactions. Gains or losses arising from the translation of the financial statements of the self-sustaining foreign operation are deferred in a “cumulative translation account” in unitholders’ equity. The cumulative translation account arises substantially from capital assets of the subsidiary located in Argentina.

Foreign monetary assets and liabilities of the Canadian operations and integrated foreign subsidiaries have been translated into Canadian dollars using the rate of exchange in effect at the balance sheet date and foreign non-monetary balances are translated at historical exchange rates. Exchange gains or losses arising from translation of these foreign monetary balances are reflected in the current period’s earnings. Revenues and expenses are translated at rates in effect at the time of the transactions.

(h) Derivative financial instruments

Forward exchange contracts are used by Clearwater in the management of its foreign currency exposures. Clearwater formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific forecasted transactions. Clearwater also formally assesses, on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from July 30, 2002 to December 31, 2002
(Tabular amounts expressed in thousands of dollars)

3. ACCOUNTING POLICIES (continued)

Foreign exchange translation gains and losses on foreign currency denominated derivative financial instruments used to hedge anticipated U.S. dollar and Japanese Yen denominated sales are recognized in the consolidated financial statements when the related transaction occurs.

Clearwater writes foreign currency options. These securities, which do not act as a fully effective hedge and which mature over a short period of time, are stated at estimated quoted market prices. Realized and unrealized gains and losses on these securities are included in earnings. Had Clearwater been required to settle these contracts at December 31, 2002 it would have had to pay $4,963,000 ($6,549,000 as at July 30, 2002). At expiry of these contracts Clearwater will either have no obligation or will be called to deliver foreign currency at a rate management deemed acceptable upon entering into these contracts. This amount is included in accounts payable and accrued liabilities.

(i) Income taxes

Income taxes are accounted for by the asset and liability method of tax allocation. Under this method, future income taxes are recognized for temporary differences between the tax and accounting basis of assets and liabilities based on income tax rates and income tax laws that are expected to apply in the periods in which the differences are expected to affect income. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

(j) Distributions to unitholders

Clearwater's distribution policy is to make distributions to unitholders of its available cash to the maximum extent possible consistent with good business practices. Clearwater intends to make monthly cash distributions of its net monthly cash receipts, less estimated amounts required for the payment of expenses and capital expenditures as determined appropriate.

Cash distributions will be payable monthly to the unitholders of record on the last business day of each month and will be paid no later than the 15th day of the following month or, if such day is not a business day, not later than the next business day.

(k) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that Clearwater may undertake in the future.

4. OTHER LONG-TERM ASSETS

	December 31, 2002	July 30, 2002
Investment in joint venture in excess of proportionate share of net assets consolidated	$ 5,133	$ 4,630
Advances to minority owner of a subsidiary located in Argentina	3,302	2,557
Deferred financing costs (net of accumulated amortization of $212,000)	804	1,016
Portfolio investments	473	473
Other	554	768
	$ 10,266	$ 9,444

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from July 30, 2002 to December 31, 2002
(Tabular amounts expressed in thousands of dollars)

5. CAPITAL ASSETS

			December 31, 2002	July 30, 2002
	Cost	Accumulated depreciation	Net	Net
Land and land improvements	$ 2,846	$ 565	$ 2,281	$ 2,302
Buildings and wharves	59,901	35,360	24,541	24,244
Equipment	65,519	45,034	20,485	21,738
Vessels	142,450	58,478	83,972	86,137
Construction in progress	9,516	–	9,516	8,997
	$ 280,232	$ 139,437	$ 140,795	$ 143,418
Less: Deferred government assistance			(16,293)	(17,876)
			$ 124,502	$ 125,542

6. LICENCES

			December 31, 2002	July 30, 2002
	Gross carrying amount	Accumulated amortization	Net	Net
Licences				
Indefinite lives	$ 59,652	$ 19,826	$ 39,826	$ 28,546
Finite lives	2,500	521	1,979	2,031
	$ 62,152	$ 20,347	$ 41,805	$ 30,577

The aggregate amortization expense for the period ended December 31, 2002 of $52,000 is included in depreciation and amortization expense.

7. LONG-TERM DEBT

	December 31, 2002	July 30, 2002
Term credit facility (a)	$ 71,525	$ 71,182
Marine mortgage, due in 2009 (b)	20,716	20,670
Marine mortgage, due in 2017 (c)	10,878	10,664
Term loan, due in 2092 (d)	3,500	3,500
Other loans	4,150	3,952
	110,769	109,968
Less current portion	2,794	2,108
	$ 107,975	$ 107,860

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from July 30, 2002 to December 31, 2002
(Tabular amounts expressed in thousands of dollars)

7. LONG-TERM DEBT (continued)

(a) Term credit facility, for up to CDN $90,000,000 or the equivalent thereof in certain other currencies, of which CDN $50,585,000 and YEN 1,583,817,000 (CDN $20,940,000) is outstanding as of December 31, 2002. The facility bears interest at rates ranging from prime plus 0.5 – 1.25% and Libor plus 1.5 – 2.25%, has no scheduled repayments, and matures on July 31, 2004. The facility is secured by mortgages and charges on all of the present and future property and assets of Clearwater and of certain of its wholly-owned subsidiaries, the interests of Clearwater Seafoods Income Fund in Clearwater Seafoods Holdings Trust, the interests of Clearwater Seafoods Holdings Trust in Clearwater, and all the issued shares of CS ManPar Inc., the general partner of Clearwater, and is subject to the maintenance of certain financial ratios. As part of the master netting arrangement, bank account balances associated with the facility are netted with the term credit facility balance.

(b) Marine mortgage payable in the principal amount of CDN $10,200,000, U.S. $3,375,000 (CDN $5,325,000), and YEN 392,598,000 (CDN $5,191,000) bearing interest at UNIBOR plus 1% payable semi-annually. Principal payments are required annually with CDN $600,000, U.S. $199,000, and YEN 23,094,000 due in fiscal 2003, CDN $3,600,000, U.S. $1,191,000, and YEN 138,564,000 due in fiscal 2004, and CDN $1,200,000, U.S. $397,000, and YEN 46,188,000 due in each of the fiscal years 2005-2009. The loan matures in 2009 and is secured by a first mortgage over the related vessel, mortgages of the shares of the subsidiary corporation that owns the vessel, and guarantees of Clearwater. The book value of the related vessel is $21,577,000.

(c) Marine mortgage payable in the principal amount of CDN $10,341,000, DKK 27,828,080 (CDN $6,167,000), and YEN 396,895,158 (CDN $5,247,000) bearing interest at UNIBOR plus 1% payable semi-annually, 50% of which represents Clearwater's proportionate share. Principal payments are required annually with CDN $517,067, DKK 1,391,404, and YEN 19,844,758 due in 2003-2007, CDN $775,600, DKK 2,087,106, and YEN 29,767,137 due in 2008-2017, 50% of which represents Clearwater's proportionate share. The loan matures in 2017 and is secured by a first mortgage over the related vessel, covenants concerning fishing licences and guarantees of Clearwater, the parent company of the other partner of the partnership that owns the vessel and of CFFI. Clearwater's proportionate share of the book value of the related vessel is $13,790,000.

(d) Term loan, payable in 2092. In connection with this loan, Clearwater makes a royalty payment of $350,000 per annum in lieu of interest.

Principal repayments required in each of the next five years assuming renewal of the term credit facility on similar terms are approximately as follows:

2003	2004	2005	2006	2007
$ 2,794	$ 7,947	$ 3,146	$ 3,081	$ 3,081

The estimated fair value of Clearwater's long-term debt, including the current portion, at December 31, 2002 was $110,488,000. Fair value has been estimated based on discounting expected future cash flows at the discount rates which represent borrowing rates presently available to Clearwater for loans with similar terms and maturities.

For the period from July 30, 2002 to December 31, 2002

(Tabular amounts expressed in thousands of dollars)

8. PARTNERSHIP UNITS

Clearwater is authorized to issue an unlimited number of Class A limited partnership units, an unlimited number of Class B general partnership units, issuable in series, and an unlimited number of Class Y general partnership units, issuable in series.

Each unit (other than the Class Y units) shall entitle the holder thereof to one (1) vote in respect thereof, except in certain situations as described pursuant to the Limited Partnership Agreement governing Clearwater.

Each issued Class B unit is accompanied by a Special Trust Unit issued by the Fund entitling the holder to receive notice of, to attend, and to vote at meetings of unitholders of the Fund.

Subject to the provisions of applicable securities laws, units in Clearwater are transferable, except that, without the prior consent of CSHT, CFFI is not permitted to transfer any Class B units prior to December 31, 2003 to any person other than an Affiliate or a Permitted Lender or the transferee thereof.

The right of the holders of Class B units to receive distributions from Clearwater is subordinated to the rights of holders of Class A units until the date on which both (i) distributions paid in respect of a fiscal year on the Class A units and the Class B units total at least $1.15 per unit; and (ii) Clearwater has earned Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and minority interest) of at least $1.38 per unit for the same fiscal year; provided that in any event the earliest date in respect of which subordination shall end in respect of 60% of the Class B units shall be December 31, 2003 and in respect of the remaining 40%, December 31, 2005. Class B units that are subject to such subordination are entitled to receive distributions from Clearwater only quarterly, rather than monthly, and only after distributions of at least $0.0958 per unit in respect of each month during such quarter have first been paid to the holders of Class A units and Class B units that at the time are not subject to such subordination.

Class B units that are no longer subject to subordination may at any time thereafter at the option of the holder thereof in effect be exchanged for units of the Fund whereupon CSHT will be issued Class A units and the Class B units that were so exchanged will be cancelled.

On July 30, 2002 Clearwater issued 21,170,435 Class A limited partnership units at $10 per unit to CSHT, the sole beneficiary of which is the Fund, for net proceeds of $196,578,000, after deducting expenses of the offering of $15,126,000 and as part of the acquisition of the seafood business of CFFI, issued 25,498,260 Class B general partnership units. On August 29, 2002 Clearwater issued an additional 2,117,043 Class A units at $10 per unit for net proceeds of $19,953,000, after deducting expenses of $1,217,000, and used the funds to redeem 2,117,043 Class B units. On December 27, 2002 Clearwater issued 1,271,186 Class A limited partnership units to CSHT for $10.03 for net proceeds of $12,750,000.

As CFFI controlled the business both before and after the above-noted transactions, the acquisition has been accounted for using the book values of the assets and liabilities as recorded by CFFI. The excess of capital contributions over book values of assets reflects the book values of the net assets of CFFI's seafood business at the date of acquisition of $180,533,000 less the cash portion of the consideration paid by Clearwater therefore of $267,728,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from July 30, 2002 to December 31, 2002
(Tabular amounts expressed in thousands of dollars)

	Class A Units	Class B Units	$
Issuance of Class A units, July 30, 2002	21,170,435	–	$ 196,578
Issuance of Class B units, July 30, 2002	–	25,498,260	–
Less: Excess of capital contributions over book values of assets	–	–	(87,195)
Balance July 30, 2002	21,170,435	25,498,260	109,383
Issuance of Class A units, August 29, 2002	2,117,043	–	19,953
Redemption of Class B units, August 29, 2002	–	(2,117,043)	(19,953)
Issuance of Class A units, December 27, 2002	1,271,186	–	12,750
	24,558,664	23,381,217	$ 122,133

As at December 31, 2002 there were in total 47,939,881 units outstanding.

9. INCOME TAXES

Components of the income tax expense are as follows:

Current	$ 2,697
Future	98
	$ 2,795

The provision for income taxes in the consolidated statement of earnings represents an effective tax rate different from the Canadian statutory rate of 42.1%. The differences are as follows:

	Amount	%
Income tax expense computed at statutory rates	$ 14,375	42.1
Income of the partnership distributed directly to unitholders	(8,094)	(23.7)
Income of foreign subsidiary not subject to tax	(2,461)	(7.2)
Previously unrecognized losses of foreign subsidiaries	(1,548)	(4.6)
Change in valuation allowance	223	0.7
Other tax differences	300	0.8
	$ 2,795	8.1

The income tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

	December 31, 2002	July 30, 2002
Future income tax asset		
Loss carry-forwards and future deductible expenses of foreign subsidiaries	$ 5,230	$ 5,006
Less valuation allowance	(5,230)	(5,006)
	–	–
Future income tax liabilities		
Licences	7,087	2,597
Capital assets	2,632	2,556
	9,719	5,153
Net future tax liability, non-current	$ 9,719	$ 5,153

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from July 30, 2002 to December 31, 2002
(Tabular amounts expressed in thousands of dollars)

10. COMMITMENTS

Clearwater is committed directly, and through its proportionate share of its joint ventures, to various licence and lease acquisition agreements aggregating $34,238,000 as of December 31, 2002 requiring approximate minimum annual payments in each of the next five years as follows: 2003 – $4,245,000, 2004 – $4,097,000, 2005 – $3,800,000, 2006 – $2,792,000, and 2007 – $2,708,000.

11. JOINT VENTURES

Clearwater has a 50% interest in three joint ventures. The financial statements include Clearwater's proportionate share of the assets, liabilities, sales, and expenses of such joint ventures, the material elements of which are as follows:

	December 31, 2002	July 30, 2002
Current assets	$ 9,582	$ 10,430
Capital and other long-term assets	24,984	24,234
Current liabilities	5,339	6,212
Long-term liabilities	16,279	17,838

The following is a summary of the transactions included in the financial statements for the period from July 30, 2002 to December 31, 2002:

Sales	$ 9,957
Expenses	7,065
Earnings before taxes	2,892

Clearwater receives and provides services to the joint ventures at amounts agreed between the parties. The following is a summary of the balances included in the financial statements:

	December 31, 2002	July 30, 2002
Accounts receivable from joint venture partner	$ 570	$ 592
Due from joint venture	5,133	4,630
Accounts payable to joint venture partner	8	843
Due to joint venture partner	1,995	1,995

The following is a summary of the transactions included in the financial statements for the period from July 30, 2002 to December 31, 2002:

Commissions charged by joint ventures	$ 1,818
Interest charged to joint ventures	215

As at December 31, 2002, Clearwater was contingently liable for the obligations of the co-owners in the amount of $14,781,000. However, the co-owners' share of the assets is available for the purpose of satisfying such obligations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from July 30, 2002 to December 31, 2002

(Tabular amounts expressed in thousands of dollars)

12. SEGMENTED INFORMATION

(a) General information

Clearwater operates primarily within one industry, that being the harvesting, procurement, processing, and sale of seafood with no separately reportable business segments. The products are sold primarily to customers in the United States, Asia, Europe, and Canada.

(b) Net sales to customers by product category

Shellfish	$137,241
Groundfish	12,394
Other	6,371
Total sales	$ 156,006

(c) Geographic information

Sales	
United States	$ 60,459
Asia	35,702
Europe	41,687
Canada	18,158
	$ 156,006

	December 31, 2002	July 30, 2002
Capital assets, licences, and goodwill		
Canada	$ 166,922	$ 157,616
Argentina	6,900	5,988
Other	1,457	1,487
	$ 175,279	$ 165,091

13. FINANCIAL INSTRUMENTS

(a) Hedging

Forward exchange contracts are used by Clearwater in the management of its foreign currency exposures. Clearwater manages its exposure to fluctuations in exchange rates on United States dollar and Japanese Yen denominated revenues using forward exchange contracts. As at December 31, 2002 Clearwater had outstanding contracts as follows: sell 62,000,000 U.S. dollars at average rates of 1.5635 in the period to December 31, 2003, sell 1,000,000,000 Japanese Yen at average rates of 0.01274 in the period to December 31, 2003. In addition, Clearwater had an outstanding contract to buy 3,000,000 Euros at 0.9739 for each U.S. dollar in 2003. At December 31, 2002 Clearwater would have been required to pay $1,851,000 to settle these contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from July 30, 2002 to December 31, 2002

(Tabular amounts expressed in thousands of dollars)

13. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

Clearwater is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments but does not anticipate non-performance by any of the counterparties as Clearwater only deals with highly-rated financial institutions.

Clearwater has significant accounts receivable from customers operating in the United States, Europe, and Asia. Clearwater has a policy of utilizing a combination of credit reporting agencies, credit insurance, letters of credit, and secured forms of payment to mitigate customer specific credit risk and country specific credit risk.

(c) Fair values

The carrying value of cash, accounts receivable and accounts payable, and accrued liabilities approximates fair value.

14. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances associated with joint venture partners disclosed in note 11, Clearwater was charged $105,000 by CFFI for use of a corporate airplane, charged CFFI $62,300 for rent and other services, had cash on deposit with CFFI of $32,000 (July 30, 2002 – $99,000, relating to one day's deposits from corporate lock deposit boxes), had an amount payable to CFFI of $2,541,000 (July 30, 2002 – $6,050,000), and a distribution payable to CFFI of $6,720,000 (July 30, 2002 – nil).

Clearwater had an amount due from a minority owner in a subsidiary located in Argentina of $3,302,000 (July 30, 2002 – $2,557,000).

In addition, included in commitments are amounts for vehicle leases aggregating $404,000 that are committed to be paid to a company controlled by a relative of an officer of Clearwater.

These transactions are in the normal course of operations and have been recorded at fair market value.

In addition, CFFI provides certain treasury functions related to derivative financial instruments at no charge.

15. ACQUISITION

On December 27, 2002 Clearwater acquired the remaining 45% interest in one of its subsidiaries – Deep Sea Clam Company Incorporated – for cash consideration of $16,875,000. The acquisition has been accounted for using the purchase method and the resulting adjustments to minority interest have been included in Clearwater's consolidated statements from the date of acquisition. The excess of the purchase price over the proportionate share of net assets, being $11,280,000, has been allocated to a licence which has an unlimited life.

PRICE RANGE AND TRADING VOLUME OF UNITS

The units are traded on the TSX under the trading symbol "CLR.UN". The following table sets forth the reported high and low closing prices and average daily trading volume of the outstanding units as reported by the TSX for the periods indicated (prices in dollars).

AVERAGE DAILY TRADING VOLUME

Period	High	Low	Average Daily Trading Volume
2002			
July 31st	10.18	9.85	2,819,511
August	10.13	9.85	168,521
September	10.71	9.91	169,083
October	10.75	10.10	145,308
November	10.45	9.55	59,728
December	10.44	9.88	107,132

The units commenced trading on the TSX on July 31st, 2002.

DISTRIBUTIONS

The Fund declared cash distributions of $0.0958 per unit for the months of August, September, October, November, and December 2002.

The combined pro-forma 2002 statement of earnings disclosed below reflects the unaudited interim earnings of Clearwater Fine Foods Fishing Business (the "Business") for the seven-month period from January 1st, 2002 to July 29th, 2002 and the audited statement of earnings of Clearwater Seafoods Limited Partnership ("CSLP") for the five-month period from July 30th, 2002 to December 31st, 2002.

The earnings information for 2001, 2000, 1999, and 1998 reflect the earnings of the Business as operated by Clearwater Fine Foods Incorporated. These statements of earnings, which have been audited, were included in the Initial Public Offering Prospectus on page F-13.

The results prior to July 30th, 2002 do not reflect the acquisition of the minority interest in a subsidiary and the current capital structure, which would have impacted bank interest, interest on long-term debt, income taxes, and minority interest.

	Combined pro-forma 2002 (Unaudited)	**2001** (Audited)	**2000** (Audited)	**1999** (Audited)	**1998** (Audited)
Sales	$ 319,928	$ 290,117	$ 286,076	$ 259,782	$ 217,838
Cost of goods sold	232,383	205,685	194,991	177,356	153,514
Gross profit	87,545	84,432	91,085	82,426	64,324
Administration and selling	29,412	27,425	26,877	25,699	22,861
Other income	(4,233)	(2,392)	(2,994)	(1,526)	(4,294)
Foreign exchange	(179)	5,574	(3,731)	(8,196)	8,281
	25,000	30,607	20,152	15,977	26,848
Earnings before interest, depreciation and amortization, taxes, and minority interest	62,545	53,825	70,933	66,449	37,476
Bank interest and charges	2,445	3,475	3,794	3,961	2,001
Interest on long-term debt	13,072	12,403	9,488	8,750	7,975
Depreciation and amortization	14,003	17,040	15,702	13,857	10,933
	29,520	32,918	28,984	26,568	20,909
Earnings before income taxes and minority interest	33,025	20,907	41,949	39,881	16,567
Income taxes	2,036	11,437	17,475	13,847	6,028
Earnings before minority interest	30,989	9,470	24,474	26,034	10,539
Minority interest	1,456	899	403	616	(540)
Net earnings	$ 29,533	$ 8,571	$ 24,071	$ 25,418	$ 11,079

STATEMENT OF CORPORATE GOVERNANCE

The Trustees of Clearwater Seafoods Income Fund, the Board of Directors of CS ManPar Inc. (the managing partner of Clearwater Seafoods Limited Partnership), and the management team of Clearwater are committed to a high standard of corporate governance. Effective corporate governance requires specified reporting structures and business processes, a strategic plan, and a commitment to work according to these. We believe that sound corporate governance contributes to unitholder value and to trust and confidence in Clearwater.

The Board of Directors of CS ManPar Inc. is responsible under law for the stewardship of Clearwater Seafoods Limited Partnership, including the business affairs of Clearwater Seafoods Income Fund. To help execute this mandate, the Board has two standing committees, each consisting of only independent directors.

This Audit Committee is comprised of Jim Gogan (Chair), George Armoyan, and Hugh Smith. The Corporate Governance and Compensation Committee is comprised of Purdy Crawford (Chair), Tom Traves, and Jim Gogan.

The Toronto Stock Exchange has published guidelines for effective corporate governance. These guidelines are set out below, along with commentary as to Clearwater's conformity to them.

1) The Board of Directors should explicitly assume responsibility for the stewardship of the company, specifically:
   a) adopting a strategic planning process
      The Board receives presentations from management with respect to the long-term direction of Clearwater, strategic priorities, and performance. The Board reviews and analyzes these presentations to ensure that there is congruence between strategic plans, performance, and unitholder expectations.
   b) identifying principal risks and ensuring the implementation of systems to manage these risks
      The Board and management are well versed in the principal risks associated with operating Clearwater. Management updates the Board regularly about the corporate processes for managing risks.
   c) planning for succession, including the appointment, training, and monitoring of senior management
      The Corporate Governance and Compensation Committee oversees Clearwater's compensation programs, practices, and the performance of senior management. The Board also ensures that adequate provisions have been made for senior management training and succession.
   d) assuming responsibility for a corporate communications policy
      The Audit Committee reviews all operating and financial results prior to public disclosure. In addition, the Board has adopted written policies governing communications, disclosure, and insider trading. These policies are responsive to securities laws and guidelines issued by the Toronto Stock Exchange.
   e) assuming responsibility for the integrity of internal control and management systems
      The Audit Committee oversees Clearwater's financial reporting processes, the systems for internal control, the audit process, and the management of risk.

2) The majority of the Board should be unrelated (independent of management, free from conflict of interest).
   Clearwater's Board of Directors currently consists of seven individuals, the majority of whom are unrelated. There are five independent directors and two related directors.

3) Disclose whether or not each director is unrelated and explain.

Purdy Crawford	*Unrelated non-management*
James Gogan	*Unrelated non-management*
Thomas Traves	*Unrelated non-management*
George Armoyan	*Unrelated non-management*
Hugh Smith	*Unrelated non-management*
John Risley	*Related non-management*
Colin MacDonald	*Related management*

4) The Board should appoint a committee of independent directors to nominate new directors and assess all directors' performance.

The Board has created a Corporate Governance and Compensation Committee, consisting only of unrelated directors, who are currently reviewing formal procedures in this respect.

5) The Board should implement a process for assessing the effectiveness of the Board as a whole, the committees of the Board, and individual directors.

The Corporate Governance and Compensation Committee has this responsibility and is currently reviewing formal procedures in this respect.

6) Every corporation should provide an orientation and education program for new recruits to the Board.

New directors appointed to the Board will be briefed thoroughly about Clearwater during the recruitment process and following.

7) Every board should examine its size and, with a view to effectiveness, consider reducing the size to improve decision-making.

The Board has examined its size and considers that its current number is appropriate at this time.

8) The Board should review directors' compensation to ensure that it adequately reflects responsibilities and risks.

The Corporate Governance and Compensation Committee carries out this responsibility annually.

9) Committees of the Board generally should be composed of independent directors with the majority being unrelated.

The two committees of Clearwater's Board are composed solely of independent and unrelated directors.

10) Every board should expressly assume responsibility for, or assign to a committee the responsibility for, developing the company's approach to corporate governance issues.

The Corporate Governance and Compensation Committee focuses on corporate governance and ensures that Clearwater's corporate governance system is effective.

11) The Board, together with the CEO, should:

a) develop position descriptions for the Board and for the CEO, setting out limits to management's responsibilities

The Corporate Governance and Compensation Committee has established clear sets of responsibilities for the Board as a whole and for its committees. It also has done this for the CEO, with defined limits to his responsibilities. The Chairman and the CEO delegate responsibility to senior officers of Clearwater.

(b) approve or develop the corporate objectives for the Board and for the CEO

The full Board reviews and approves annual strategic and operating and financial objectives; management prepares these and the CEO is accountable for them.

12) Every board should have structures and procedures to ensure that it can function independently of management.

Any member of the Board may call a meeting to be held without management present. Members of the Audit Committee meet directly with the company's auditors in part without management present.

13) All boards should have an Audit Committee, consisting only of non-management directors, which has a clearly defined mandate and appropriate oversight.

The Audit Committee consists only of unrelated directors and has direct access to external auditors. The Committee reviews financial reporting processes of Clearwater, its systems of internal controls, and the audit process. The Committee also reviews all operating and financial results before disclosure.

14) The Board should enable an individual director to engage an outside advisor in appropriate circumstances, at the expense of the company.

In circumstances considered to be appropriate by the Corporate Governance and Compensation Committee, an individual director may engage an outside advisor at company expense.

Purdy Crawford
Chairman, AT&T Canada Inc. and Counsel, Osler, Hoskin & Harcourt LLP. Mr. Crawford holds a Bachelor of Arts degree from Mount Allison University, a Bachelor of Laws from Dalhousie University, and a Master of Laws from Harvard University. He is a director of a number of companies, including Canadian National Railway, Maple Leaf Foods Inc., Petro-Canada Inc., Emera Inc., and Seamark Investment Management Inc. Mr. Crawford is an Officer of the Order of Canada.

James W. Gogan
President and Director of High Street Investments Limited. Mr. Gogan recently retired as President and CEO of Empire Company Limited. He holds a Bachelor of Commerce degree from Dalhousie University. He has acted as a director of a number of companies, including Sobeys Inc., Atlantic Shopping Centres Limited, Barclays Bank (Canada), and currently is a board member of Empire Company Limited, Seamark Asset Management, and Nova Scotia Business Inc. He is Chair, Finance Group and Building Committee on the Board of Governors, St. Francis Xavier University.

Thomas D. Traves
President and Vice-Chancellor, Dalhousie University. Dr. Traves holds a Bachelors degree from the University of Manitoba and Masters and Doctorate degrees from York University. He was formerly Vice-President (Academic) at the University of New Brunswick. He has been involved with a number of boards of directors and is currently a member of the Life Sciences Development Association, Innovacorp, and the Greater Halifax Partnership.

George S. Armoyan
President of Geosam Investments Limited, Mr. Armoyan has many public company interests. He is Chairman of the Board for Armco Capital (TSX-V:AMO), Clarke Inc. (TSX:CKI), and was recently named Chairman of Vaquero Energy Ltd. (TSX:VAQ). He has been actively involved in the creation and management of several real estate companies and various other operating companies across Canada. Mr. Armoyan holds a Bachelor of Engineering (Civil) from the Technical University of Nova Scotia and a diploma in Engineering from Dalhousie University. Presently, through continuing education, Mr. Armoyan is enrolled in an Executive Presidents' Program at Harvard Business School, in Boston, Mass.

Hugh K. Smith, Q.C.
Vice President of the Municipal Group of Companies, which operates quarries and asphalt plants and is active in all major aspects of heavy construction in Atlantic Canada. Mr. Smith is the Chairman of Mirror Nova Scotia Limited, which operates the solid waste landfill facility for the Halifax Regional Municipality. He was admitted to the Nova Scotia Bar in 1969 and holds Bachelors of Commerce and Law degrees from Dalhousie University.

John C. Risley
Chairman, co-founded Clearwater in 1976. Mr. Risley was Chief Executive Officer of Clearwater and continues to take an active day-to-day role in the business. He serves on a number of industry and community organizations, including as a board member of FPI Limited, as a member of the Board of Governors of Dalhousie University, and as Chairman of the Canadian Youth Business Foundation. He was named as an Officer of the Order of Canada in 1999.

Colin E. MacDonald
Chief Executive Officer, co-founded Clearwater in 1976 and has served as COO and Executive Vice President within Clearwater since that time. Mr. MacDonald has extensive experience in the seafood industry. He served as President, Canadian Lobster Producers Association and is a Founding Member, Lobster Science Centre. He is currently Vice Chair of the IWK Foundation. He holds a Bachelor of Science degree from Dalhousie University.

OFFICERS OF CS MANPAR INC.

John C. Risley
Chairman

Colin E. MacDonald
Chief Executive Officer

Eric R. Roe
Vice-President, Government and Public Affairs

Peter Matthews
Vice-President, Fleet

J. Michael Magnus
Vice-President, Marketing and Sales

Ian G. Bruce
Vice-President, Clam Operations

Robert D. Wight
Vice-President, Finance and Chief Financial Officer

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Halifax, Nova Scotia

UNITS LISTED

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